Wells Fargo Securities Europe, société anonyme

Pillar 3 Disclosure for the year ended December 2020

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1. Introduction

1.1 Objective

Wells Fargo Securities Europe S.A (**WFSE** or the **Firm**) is required to meet the requirements of the Basel Accords as laid out in the applicable legislation, the EU Capital Requirements Regulation and Directive (respectively, **the CRR and CRD)** on the date of preparation of these disclosures. The ACPR endorsed the EU regulation and EBA guidelines in July 2020 for the preparation of the Pillar 3 disclosure.

This document is prepared in accordance with the disclosure requirements set out under Part Eight of the CRR and WFSE's Pillar 3 Policy. The firm's Pillar 3 disclosures and policy are subject to a formal governance process and are reviewed and approved by the WFSE Board of Directors (**the Board**) on an annual basis or more frequently if required.

The qualitative and quantitative information in this document represent the position of WFSE as at 31st December 2020, and the rule framework applicable on that date. The quantitative disclosures in this document are calculated according to the (i.e. non-modelled) approaches outlined in the CRR where appropriate.

This document does not constitute a set of financial statements. The WFSE audited financial statements are prepared in accordance with the applicable French company law and accounting standards. Information contained in the WFSE 2020 audited financial statements may contain differences with the information in this document as the regulatory approaches may differ from accounting definitions.

1.2 WFSE Background

WFSE was officially registered and authorised to conduct business as an investment firm on 17th May 2019 and commenced business on 24th October 2019.

WFSE's shareholders, EVEREN and WFCPH, are wholly owned, indirect subsidiaries of Wells Fargo & Company (**WFC**). WFC's principal subsidiary is WFBNA, a national bank with total assets of $1.8 trillion as at 31 December 2020.

WFSE therefore remains a 100% subsidiary of WFC which prepares Pillar 3 disclosures on a consolidated basis.

As a result of this ownership structure WFSE, under Article 6(1) of the Capital Requirements Regulation (EU) No 575/2013 ("CRR") must comply with the obligations laid down in Part Eight on an individual basis.

WFSE is a MiFID II compliant-entity, entitled to conduct investment business in all of the EU / EEA jurisdictions on a cross-border basis by exercising passport rights and its primary activities will include:

- Providing securities sales services;
- Providing execution of exchange traded derivative products;
- Providing advisory services including M&A advisory; and
- Providing debt capital markets underwriting services.

2. Risk Governance

2.1 Introduction

The prudent taking of risk, in line with WFSE's strategy, is fundamental to its future growth. WFSE's business operations are based on conscious and disciplined risk-taking. Independent risk management, compliance and audit processes with proper management accountability are critical to the interests and concerns of our stakeholders. The business growth strategy benefits from areas where WFSE has deep domain expertise, strong client base and robust risk management and governance infrastructure. The WFSE risk culture is supported by the following principles:

- Risk management policies that set out authorities and responsibilities for taking and managing risks;
- A clear risk appetite statement that sets out the types and levels of risk WFSE is prepared to take;
- Active monitoring of risks and taking mitigating actions where they fall outside accepted levels;
- Breaches of risk limits are identified, analysed and escalated, and large, repeated or unauthorised exceptions may result in disciplinary action; and
- Resilient risk controls that promote multiple perspectives on risk and reduce the reliance on single risk measures.

The Board oversees the risk appetite statement and risk profile of WFSE and ensures that business developments are consistent with the risk appetite and strategic goals of WFC.

The WFSE Statement of Risk Appetite (**SoRA**) is comprised of both qualitative and quantitative components and metrics which are monitored on a frequent basis. The SoRA is reviewed on at least an annual basis; the business strategy, key ratios, internal data and issues are used to ensure appropriate calibration of the thresholds.

The Board also reviews and endorses WFSE's risk management activities, which includes the establishment of policies for the control of risk. The Board receives information on the risk profile of WFSE, breaches of policy framework and external developments that may have some impact on the effectiveness of the risk management activities. It also approves significant changes to risk management policies and approves WFSE's SoRA annually. The Board also ensures that the Wells Fargo risk culture remains strong and that controls are respected by staff. This is achieved by the Board setting clear expectations regarding appropriate behaviours; and implemented by WFSE's Senior Management through their leadership actions, communication and organisational governance.

The WFSE risk governance structure is made up of the committees outlined below, which aid senior management and the Board in the identification, assessment, monitoring and management of risk in the entity.

2.2 WFSE Committee structure

	Monthly	Quarterly	As required
WFSE Specific	• WFSE Executive Management Committee (ExCo) • WFSE Asset-Liability Committee (ALCO)	• WFSE Board	
EMEA Wide	• EMEA ALCO • EMEA EXCO • EMEA Operating Committee (EMEA OPCO) • EMEA Regional Risk and Control Committee (EMEA RRC) • EMEA New Initiatives Committee (EMEA NIC) • EMEA Clients Assets Steering Committee (EMEA CASS)		• WFS EMEA Transaction Reporting Steering Committee • EMEA Underwriting Approval Committee (UAC) • EMEA Mergers and Acquisitions Capital Committee (E-MACC) • EMEA Operational Risk Steering Committee (ORSC) • EMEA Remuneration Steering Group (ERSG) • EMEA Remuneration Risk Review Committee (ERRRC)

WFSE Board of Directors

The Directors of WFSE as at 31st December 2020 are listed under table 1:

Table 1 -WFSE Directors

Directors	No. Directorships
Daniel Thomas	2
Nicholas Bennett	1
Rory Hudson	1
Brooke Meyers (resigned 17 July 2020)	N/A

WFSE selects its Board members in line with the Wells Fargo Group principles and procedures and in accordance with applicable legal and regulatory requirements regarding recruitment. The selection process aims to identify the best qualified candidates for a position, providing equal opportunity in all employment decisions and without regard to race, colour, gender, national origin, religion, age, sexual orientation, gender identity, disability, pregnancy, marital status or any other status protected by law.

The primary responsibility of the Board is to set the business objectives, risk strategies and profile for WFSE, to ensure WFSE's compliance with relevant internal policies and applicable laws, and to monitor WFSE's performance against these parameters.

The Board may determine that it is appropriate to delegate certain of its responsibilities and decision-making powers to ad-hoc or standing committees. The Board has established a governance structure that includes two legal entity specific committees, the ExCo and the ALCO. The ExCo is concerned with the day to day management of the company. The ALCO provides oversight of the balance sheet, funding, liquidity and capital of WFSE.

The Board oversee the management of all risks as they apply to WFSE, including Credit Risk, Market Risk, and Operational Risk. Further detail on the management of these risks can be found in sections 7-9 of this document.

2.3 WFSE Risk management program

WFSE has three lines of defence, each with distinct responsibilities with respect to the risk management program:

Front Line: The Front Line identifies, assesses, manages, and mitigates risk associated with its activities and balances risk and reward in decision-making, while complying with laws, rules, regulations, and the risk management program. The Front Line comprises WFSE's risk-generating activities, including all activities of its Business Groups and certain activities of its Enterprise Functions. The Front Line is responsible for identifying, measuring, assessing, controlling, mitigating, monitoring, and reporting current and emerging risk exposures associated with its activities and operations.

The Business Control Executive team support the front line, and is aligned to the lines of business. This team ensures effective management of risks across the businesses, consistent with Corporate Risk programs. They understand risks facing the lines of business and coordinate with management and IRM on end-to-end business processes, provide consistent implementation of enterprise risk programs, aggregate analytics and reporting, and set consistent standards across the lines of business. In addition, control executives ensure accountability at the line-of-business level for direct implementation and execution of risk-related programs.

Independent Risk Management (IRM): IRM establishes, implements, and maintains the risk management program under the direction of senior management, and oversees the Front Line's execution of its risk management responsibilities and independently credibly challenges Front Line risk decisions. IRM incorporates senior risk leaders representative of relevant risk areas across the Europe, Middle East & Africa region (EMEA) where the EMEA Regional Chief Risk Officer (EMEA RCRO) has overall regional oversight and responsibility of Credit Risk, Market Risk, Liquidity Risk, Operational Risk, Compliance Risk, Reputation Risk, Model Risk, Strategic Risk and Interest Rate Risk. In addition, this structure is further enhanced by a network of control committees in order to provide governance, decision making and escalation.

IRM is responsible for maintaining an enterprise-wide view of current and emerging risk exposures (in aggregate both across WFSE and for individual risk types). Relevant risk data is leveraged from various company risk data systems as appropriate and follows internal guidelines. IRM is also responsible for developing, reviewing and implementing enterprise-wide risk management frameworks (including the SoRA, and second-line functional frameworks), policies, standards and procedures (specific to individual risk types and sub-risk types); reporting on risk appetite and inner and outer breaches; and ensuring coordination and consistency in the application of effective risk management approaches.

Internal Audit: Internal Audit is responsible for acting as an independent assurance function.

Each line of defence generates risk, and each line of defence is responsible for managing the risk it generates in accordance with the Corporate Risk Management Framework.

In addition to the three lines of defence, WSFE's control environment is further strengthened by

Enterprise Control Activities (**ECA**), which are specialised activities performed within centralised Enterprise Functions with a focus on controlling a specific risk such as Data and Business Continuity Planning. Functions performing ECAs adhere to the Corporate Risk Management Framework and to the extent applicable, use the common risk tools and processes established by IRM.

Risk Management in WFSE is subject to continuous review, improvement and augmentation as the business grows.

Underpinning WFSE's risk management framework is a SoRA and a number of metrics which assist WFSE senior management and the Board in managing different types of risks to levels within established tolerances.

WFSE manages specific risk types according to a series of principles that are consistent with the overall

enterprise risk appetite. On an annual basis, the SoRA is reviewed and challenged and proposals will be made with respect to any changes to the metrics, thresholds, or other aspects of the risk appetite.

To quantify these principles at a high level, we maintain a series of risk appetite metrics, along with associated objectives. These metrics measure and bind the amount of risk that WFSE is prepared to take. The metrics are complemented by a set of qualitative risk appetite statements. Performance of the listed metrics will be reported to the EMEA Regional President, the WFSE CEO and the Board of Directors quarterly. The EMEA RCRO will be responsible for compiling the report and any associated commentary in consultation with the owners of each risk type subject to reporting.

Further information about Wells Fargo global risk, capital and liquidity risk management approaches can be found by looking at the public disclosures of WFC on the investor relations site:

https://www.wellsfargo.com/about/investor-relations/

2.4 Adequacy of risk management arrangements

The Board believes that the risk management framework in place is adequate and proportionate given the size and complexity of the firm. The framework is embedded and guided by a clearly articulated tolerance for the type of risks faced via the SoRA, which itself is informed by a detailed, robust and regular assessment of material risks. Furthermore, ongoing governance forums allow monitoring of the inherent risk, management effectiveness and residual risk on a periodic basis. It also allows for breaches of qualitative or quantitative risk appetite and/or tolerances to be monitored in line with strategy and business model changes in a timely fashion.

The Board acknowledges that the current macroeconomic environment leads to some uncertainty, however they remain comfortable that the risk profile of the firm remains aligned with the business strategy and the risks posed are mitigated through the systems of controls and senior management oversight that have been implemented throughout the firm.

3. Capital Adequacy and Key Metrics

Senior management reviews capital and liquidity level on an ongoing basis in the light of changing risk appetite, business needs and changes in the external business and regulatory environment. WFSE undertakes an Internal Capital Adequacy Assessment Process (ICAAP) at least annually which provides the Board with an assessment of its risks and the level of capital necessary to hold against these risks having considered mitigating factors.

Key risk types and definitions are as follows:

- **Market Risk**

This category includes counterparty credit risks arising from settlement of securities sales trades and nostro account balances, and risks arising from movements in currency exchange rates leading to revaluation impacts on assets and liabilities not denominated in WFSE's functional currency.

- **Compliance Risk**

The risk resulting from the failure to comply with laws (legislation, regulation, and rules) and regulatory guidance and the failure to appropriately address associated impact, including to customers. Compliance risk encompasses violations of applicable internal policies, program requirements, procedures, and standards related to ethical principles applicable to the banking organisation, Includes Conduct risk and Financial Crimes risk.

- **Model Risk**

The risk arising from the potential for adverse consequences from decisions made based on model output that may be incorrect or used inappropriately.

- **Operational Risk**

The risk of loss resulting from inadequate or failed internal processes, people, and systems, or from external events. Level 2 operational risk types include but are not limited to technology risk, business resiliency and disaster recovery risk, data management risk, human capital risk, and information security risk.

- **Liquidity Risk**

The risk arising from the inability of WFSE to meet obligations when they come due, or roll over funds at a reasonable cost, without incurring heightened losses.

- **Reputation Risk**

The risk arising from the potential that negative stakeholder opinion or negative publicity regarding WFSE's business practices, whether true or not, will adversely impact current or projected financial conditions and resilience, cause a decline in the customer base, or result in costly litigation. Stakeholders include employees, customers, communities, shareholders, regulators, elected officials, advocacy groups, and media organisations.

- **Strategic Risk**

The risk to earnings, capital, or liquidity arising from adverse business decisions, improper implementation of strategic initiatives or inadequate responses to changes in the external operating environment.

Capital Adequacy

The ICAAP brings together the business and control functions in assessing the future risk and capital needs of the Firm. Capital and Liquidity metrics are monitored by the Board and ExCo on a monthly basis.

The ICAAP focuses on calibrating the additional capital required to be held under Pillar 2 of the CRR framework.

Pillar 2 additional own funds is an assessment of the incremental capital required over and above Pillar 1 to be held against 12 months of losses across all risk types. This is designed to capture the deficiencies within the Pillar 1 rules and, as a result, ensure that WFSE is adequately capitalised.

A Pillar 2 buffer is assessed using stress tests that identify the additional impacts on the Firm's ability to meet its capital needs as a result of changes in the external environment. It models the impact of a 3-year stress on the firm's capital adequacy, taking into account available management actions in an adverse scenario.

The table below sets out key ratios used to monitor capital adequacy:

Table 2 - WFSE Own Funds and Capital Ratios

	31 Dec 2020 Euro'000s
Own Funds	
Common Equity Tier 1 (CET 1)	119,699
Tier 1 Capital	119,699
Total Capital	119,699
Total risk weighted assets	107,699
Capital ratios	
CET1 ratio	111.1%
T1 ratio	111.1%
Total capital ratio	111.1%
Leverage (see Note 1)	
Leverage exposure [1]	129,540
Leverage ratio	92.4%

Note 1) The leverage ratio is expressed as a percentage and calculated as Tier 1 capital divided by total exposure. The total exposure measure is the sum of the exposure values of all assets and off-balance sheet items not already deducted from Tier 1 capital. There is no current binding leverage requirement under the CRR.

[1] The leverage exposures reconcile to the total assets as published in the 2020 financial statements

4. Own Funds

The following table reconciles the regulatory own funds to the audited financial statements:

Table 3 - WFSE Own funds and reconciliation to financial statements

	31 Dec 2020 Euro'000s		
	Regulatory own funds	Financial statements	Reconciling items[2]
CET1 Capital: Instruments and reserves			
Paid up capital instruments	148,877	148,877	—
Retained earnings	(29,178)	(29,176)	(2)
Other reserves	—	—	—
CET1 capital before regulatory adjustments	**119,699**	**119,701**	**(2)**
CET1 capital: Regulatory adjustments	—	—	—
Total regulatory adjustments to CET1	**—**	**—**	**—**
CET1 capital after regulatory adjustments	**119,699**	**119,701**	**(2)**
Total own funds	**119,699**	**119,701**	**(2)**

Capital Instruments main features

The table below sets out WFSE's capital instruments and capital ratios:

Table 4 - Own Funds

	31 Dec 2020 Euro'000s
CET1 capital: instruments and reserves	
Capital instruments and the related share premium accounts	148,877
of which: Capital instruments[3]	148,877
Retained earnings	(29,178)
CET1 capital before regulatory adjustments	**119,699**
CET1 capital: regulatory adjustments	
CET1 capital	**119,699**
Tier 1 capital	**119,699**
Total capital (TC = T1 + T2)	**119,699**
Total risk-weighted assets	**107,699**

[2] Reconciling item constitutes a single immaterial difference
[3] Capital instruments are fully comprised of issued and fully paid up ordinary share capital

5. Capital Requirements

WFSE calculates its Pillar 1 capital requirements under the standardised approaches for all risk types except for Operational risk which adopts the Basic Indicator Approach (BIA). The table below sets out WFSE's Pillar 1 capital requirements by risk type.

Table 5 - Capital Requirements

	31 Dec 2020 Euro'000s	
	RWA	Capital Requirements
Credit and Counterparty credit risk		
Institutions	3,216	257
Corporates	470	38
Other items	5,691	455
Settlement Risk	**5**	**0.422**
Market risk		
Foreign exchange	**2,656**	**212**
Operational risk	95,661	7,653
Total capital requirements		**8,616**

5.1 Use of ECAI's

WFSE applies credit ratings to its exposures using ratings attributed by External Credit Assessment Institutions (ECAI's) - Moody's Investor Services, Standard & Poor's, and Fitch Ratings as per CRR Articles 138-141.

6. Capital Buffers

The capital conservation buffer and countercyclical buffer apply to WFSE and are covered in more detail below.

6.1 Capital Conservation Buffer

The capital conservation buffer (**CCoB**) is a capital buffer of 2.5% of a WFSE's total exposures that needs to be met with an additional amount of Common Equity Tier 1 capital. The buffer sits on top of the 4.5% minimum requirement for Common Equity Tier 1 capital.

6.2 Counter Cyclical Buffer

The countercyclical capital buffer (**CCyB**) is designed to counter pro-cyclicality in the financial system. Capital should be accumulated when cyclical systemic risk is judged to be increasing, creating buffers that increase the resilience of the banking sector during periods of stress when losses materialise. The CCyB can also help dampen excessive credit growth during the upswing of the financial cycle.

The table below shows WFSE's geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer as at 31 December 2020:

Table 6- Capital Buffers

	31 Dec 2020 EUR'000				
Breakdown by country	General credit exposure: *Exposure value*	Own Funds Requirement	Total	Own funds req. weights	CCyB rate
Exposures to countries with a CCyB rate:	—	—	—	—	—
Exposures to countries with a 0% CCyB rate:					
APAC	0	0	0		0%
Europe	6,161	493	493	100%	0%
Rest of the world	0	0	0		0%
Total	**6,161**	**493**	**493**	**100%**	

The table shows the amount of the institution-specific countercyclical capital buffer:

	31 Dec 2020 EUR'000
Total Risk Exposure Amount	107,699
Institution specific countercyclical buffer rate	—
Institution specific countercyclical buffer requirements	**—**

7. Credit Risk

Credit Risk at WFSE arises from direct credit exposure to banks with which it has nostro deposit accounts and counterparty credit risk from securities trading activity (mostly settled on a T+2 delivery vs payment (DVP) (standard) settlement basis).

The following tables provide a breakdown of WFSE's Counterparty Credit Risk exposure:

Table 8- Counterparty Credit Risk Exposures

	31 Dec 2020 Euro' 000s		
	Exposure value	RWA	Capital requirement
Counterparty Credit risk			
Institutions	16,079	3,216	**257**
Corporates	470	470	**38**
Central governments or central banks	107,300	—	**—**
Other items	5,691	5,691	**455**

Measures used by WFSE to mitigate Counterparty Credit Risk include:

- Strong credit underwriting - all counterparty credit risk exposures which require approval per the Wells Fargo policies are approved by designated credit officers using the same level of credit discipline applied to other credit risks.
- Risk monitoring is undertaken by Enterprise Counterparty Risk Management (ECRM) in the US, whilst local credit risk oversight is provided by the Line of Business (LOB) credit teams, EMEA Risk Group and WFSE CRO.

8. Market Risk

Market Risk can arise in WFSE through Foreign Exchange (**FX**) Risk. This arises if receivables and payables are incurred in non-EUR currencies that do not offset, giving rise to a net non-EUR position which can lead to a gain or loss when revalued into the functional currency.

Market risk is monitored and reported daily by the EMEA Corporate Market Risk Oversight (CMRO) function, which is responsible for the independent oversight of market risk. CMRO maintains a market risk mandate which establishes the market risk limits at the WFSE level.

WFSE applies the standardised rules for calculating Pillar 1 foreign exchange risk capital requirements, shown in the table below.

	31 Dec 2020 Euro' 000s	
	Exposure	Capital requirement
Market risk		
Foreign exchange	2,656	**212**

9. Operational Risk

Operational risk is defined as the risk of loss or damage to WFSE, resulting from inadequate or failed internal controls, processes, people, and systems or from external events. Operational risk is inherent in all of the Company's activities and must be managed by all Company personnel. In order to define overall accountability for operational risk, the full spectrum of operational risk's (i.e. level two risks) are aligned to risk program coverage models consisting of three primary risk types operational, compliance and model.

Risk Type Coverage

Wells Fargo has identified and classified all operational risks that it faces as a result of its activities. The Operational Risk Business Oversight (**ORBO**) function, in partnership with Operational Risk type teams, executes oversight, associated with the following risk types that fall under the direct responsibility of the CORO (Chief Operational Risk Officer). They include:

Business Continuity Risk	Information Risk Management
Data Management Risk	Information Security Risk
External Fraud Risk	Safety and Physical Security Risk
Fiduciary & Investment Risk	Technology Risk
Financial Reporting Risk	Third-Party Risk
Human Capital Risk	Transaction Processing and Execution Risk

Operational Risk Management practices are continuously being enhanced and there is an ongoing programme to introduce improvements in the approach and execution adopted by WFSE.

This approach forms the basis for the assessment of WFSE's operational risk capital adequacy which is conducted under the Basic Indicator Approach.

WFSE had the following capital requirements relating to Operational Risk under the Basic Indicator Approach as at the reporting date:

	31 Dec 2020 Euro' 000s	
	Risk Weighted Amount	Capital Requirement
Operational Risk	95,661	7,653

10. Remuneration

WFSE's parent company, Wells Fargo & Company ("Wells Fargo") has developed enterprise-wide remuneration policies and practices, namely the Incentive Compensation Risk Management Policy ("Corporate Policy") and related practices ("Corporate Practices"). In addition, the WFSE Chief Executive Officer (“CEO”) has responsibility to oversee the implementation of the Wells Fargo remuneration policies and practices in WFSE.

In previous years the WFSE Board delegated the oversight of the implementation of the remuneration policy, compliance with the remuneration code for all WFSE employees, including Identified Staff, to the EMEA Remuneration Committee (ERC). Remuneration is regulated in articles L511-57 to L511-88 of the French Financial and Monetary Code as completed by the French Order dated on 3 November 2014.

The WFSE CEO provides oversight of remuneration matters on behalf of the WFSE Board, including the WFSE Identified Staff list and their risk assessment. The board are responsible for annual approval of the WFSE Remuneration Policy (the “Remuneration Policy”)

The Remuneration Policy is designed to ensure that WFSE (as regulated by the Autorité de contrôle prudentiel et de résolution (“ACPR”)) complies with the principles and requirements of the EBA Guidelines on Sound Remuneration Policies dated 21 December 2015 and other relevant materials produced by the EBA (the “EBA Guidelines” and together with the CRD IV Requirements the “Remuneration Requirements”) to be complied with by French entities as per the ACPR compliance notice of June 27, 2016 (EBA/GL/2015/22).

The Remuneration Policy is designed so that excessive risk taking is not encouraged within WFSE and to enable WFSE to achieve and maintain a sound capital base.

Governance

The WFSE CEO has delegated responsibility to the board to oversee the effective implementation and application of the Remuneration Policy and remuneration practices of the Company and ensure that the Company rewards individuals fairly and responsibly. The Corporate Policy and Practice applies to WFSE employees and subject to those requirements, the CEO is responsible for the review and oversight of the remuneration of WFSE staff.

The CEO is sponsored by and operates under delegated authority from the WFSE Board and is responsible for:

a. reviewing and monitoring WFSE’s strategy as it relates to remuneration design for Identified Staff including a review of the structure of incentive compensation so that it aligns with appropriate risk-taking;

b. reviewing the methodology used to determine WFSE Identified Staff as determined by the Wells Fargo EMEA Remuneration Steering Group (“ERSG”) and overseeing and approving the list of WFSE Identified Staff on an annual basis;

c. approving the total annual amount of performance related pay/incentives for WFSE Identified Staff roles employed by WFSE and under the supervision of the Board (including line by line assessment of annual performance and compensation data).

The WFSE Board is responsible for:

a. satisfying itself from time to time, and in any event on a not less than annual basis, that the WFSE remuneration policies meet French regulatory requirements;

b. reviewing the Remuneration Policy annually and determining the WFSE Remuneration Policy;

c. in determining the Remuneration Policy, to take into account all factors which it deems necessary or desirable, including relevant legal and regulatory requirements, promoting sound and effective risk management and ensuring that WFSE's remuneration practices and arrangements reward people fairly and responsibly, align with appropriate levels of risk-taking and WFSE's business strategies, objectives, values and the long-term interests of WFSE;

d. considering any other matter referred to it by the ERSG as appropriate;

Remuneration Philosophy and Structure

Remuneration Philosophy

The foundation of Wells Fargo's approach, and in turn WFSE's approach, to remuneration is based on four remuneration principles:

a. Pay for performance. Remuneration should be linked to company, line of business and individual performance.

b. Promote a culture of risk management. Remuneration should promote a culture of risk management consistent with Wells Fargo's Vision and Values and should not encourage unnecessary or excessive risk-taking.

c. Attract and retain talent. People are Wells Fargo's competitive advantage, so remuneration should help attract, motivate and retain exceptional people at Wells Fargo.

d. Encourage creation of long-term stockholder value. Use of performance-based long-term stock awards with meaningful and lasting share retention requirements to encourage sustained stockholder value creation; while mitigating compensation-related risk.

Remuneration Structure

For the purposes of this the Remuneration Policy, "remuneration" consists of all forms of payments or benefits made directly by, or indirectly, but on behalf of, WFSE, in exchange for professional services rendered by WFSE staff. Remuneration can be divided into:

a. fixed remuneration (payments or benefits that meet the criteria set out in the EBA Guidelines which include being permanent, transparent, non-revocable and without consideration of any performance criteria); and

b. variable remuneration (additional payments or benefits that are not fixed).

Risk Management and Considerations

All Wells Fargo incentive compensation plans are required to have at least one or more of the following core balancing features based on the employee's ability to control or influence risk taking and the time horizon of the risks taken. Certain of these risk-adjustment features were also used for prior performance years.

i. Disqualifying Events: Incentive opportunity will be nullified or reduced according to disqualifying factors and consideration of other material factors covering individual and corporate performance thresholds and compliance with ethics, risk and general employment standards.

ii. Discretionary Risk Objectives: All or a portion of the incentive compensation opportunity is based on manager judgment to allow for discretion in payout amount according to performance against a discretionary risk objective. This balancing feature is currently a key component of the incentive compensation program applicable to most Wells Fargo Identified Staff.

iii. Maximum Payout Limits: Limits the upside to discourage additional risk taking beyond an appropriate level of tolerated risk. The limits can apply to the aggregate pay opportunity (such as in the case of the Wells Fargo discretionary annual bonus plans including the plan applicable to most Wells Fargo Identified Staff) or by risk metrics.

iv. Extended Performance Measurement Periods: Incentive compensation based on risk outcomes measured over more than 12 months.

v. Deferrals: Payouts are deferred for periods greater than 12 months until risk outcomes are known, and payments adjusted by performance and risk metrics.

vi. Clawback: Clawback provisions if, after payment of the incentive compensation, it is determined that such payment resulted from malus or violated any applicable law, rule or regulation.

The assessment of performance used to calculate variable remuneration components or pools of variable remuneration components includes an adjustment for all types of current and future risks so that incentive compensation arrangements are appropriately risk-balanced and also take into account the quality of financial results as appropriate based on the particular level and role of the individual within the firm. The allocation of the variable remuneration components within Wells Fargo takes into account all types of current and future risks.

Staff engaged in control functions (i.e., Risk and Compliance, Internal Audit, Human Resources, Legal, Finance, Accounting and Tax) are independent from the business units they oversee, have appropriate authority, and are remunerated adequately to attract qualified and experienced staff and are paid in accordance with the achievement of the objectives linked to their functions, independent of the performance of the business areas they control.

Fixed and variable components of total remuneration are periodically reviewed to ensure an appropriate balance and that the fixed component represents an appropriate proportion of the total remuneration to allow the operation of a fully-flexible policy on variable remuneration components, including the possibility to pay no variable remuneration component.

Payments related to the early termination of a contract must reflect performance achieved over time and be designed in a way that does not reward failure.

Wells Fargo staff members are prohibited from undertaking personal hedging strategies or taking out remuneration and liability-related insurance to undermine the risk alignment effects embedded in their remuneration arrangements. Entering into contracts to hedge against exchange rate risk associated with the issuance of shares in foreign currency (e.g. U.S. dollars) is permitted but WFC will not be counterparty to the contract.

Additional Requirements applicable to Identified Staff[4]

Variable remuneration paid to Identified Staff must satisfy all of the following requirements:

- Bonus Cap. The variable component of remuneration may not exceed 100% of the fixed component of total remuneration except where the shareholders or owners or members of an institution approve a higher maximum level of the ratio between the fixed and variable components of remuneration provided that the overall level of the variable component shall not exceed 200% of the fixed component of the total remuneration.
- Deferral Requirement. At least 40% of the variable remuneration paid must be deferred over at least three to five years, with awards vesting after a minimum of one year and no faster than on a pro-rata basis. For Identified Staff whose total variable remuneration is of a "particularly high amount," at least 60% of variable remuneration must be deferred over at least three to five years, with awards vesting after a minimum of one year and no faster than on a pro-rata basis. For non- UK regulated entities total variable pay in excess of the higher of GBP 500,000 or EUR 500,000 converted as at the euro/sterling exchange rate published on the European Commission's website as at December in the year for which variable pay is awarded, 60% of the Identified Staff team member's total variable pay shall be deferred. The length of the deferral period must be established in accordance with the business cycle, the nature of the business, its risk and the activities of the Identified Staff individual in question.
- Contingent Capital Requirement. At least 50% of variable remuneration (whether paid upfront or deferred) must be paid in shares, share-linked instruments or equivalent non-cash instruments (i.e., "Contingent Capital"). Any Contingent Capital award is subject to minimum transfer retention periods.
- Performance Adjustment ("Malus and Clawback"). Wells Fargo shall ensure that any variable remuneration, including a deferred portion, is paid or vests only if it is sustainable according to the situation of Wells Fargo as a whole, and justified according to the performance of Wells Fargo, the business unit and Identified Staff individual concerned. Accordingly, Wells Fargo has the ability to reduce awarded but unvested deferred variable remuneration (including both share-based and cash-based components) and/or to clawback vested deferred variable remuneration in situations Wells Fargo determines a malus event has occurred. Malus events include, at a minimum, situations where:
    a. Wells Fargo has been required to materially restate any significant financial statement covering any part of the year for which the award was granted;
    b. any portion of the Identified Staff team member's award was based on any materially inaccurate financial statement or any other materially inaccurate performance criteria;
    c. Wells Fargo has determined that the Identified Staff team member committed misconduct or a serious error in the performance of the Identified Staff team member's job;

[4] The definition of 'Identified staff' includes any individual who meets any of the criteria set out in Articles 3 to 5 of Commission Delegated Regulation (EU) No 604/2014 (criteria to identify categories of staff whose professional activities have a material impact on an institution's risk profile).

d. Wells Fargo has determined that the Identified Staff team member's business unit and/or Wells Fargo has experienced a material downturn in financial performance;

e. Wells Fargo has determined that the Identified Staff team member's business unit and/or Wells Fargo has experienced a material failure of risk management;

f. Wells Fargo considers it is necessary to do so in order to comply with any laws, regulatory requirement or guidance by which it is bound;

g. Wells Fargo and/or the Identified Staff team member's business unit incurred significant increases in its economic and regulatory capital base;

h. any regulatory sanctions have been imposed where the Identified Staff team member's conduct contributed to the sanction; or

i. matters comparable in severity and materiality to those set out in (a) to (h) above (relating to the team member's behaviour and/or impact on Wells Fargo) such as, but not limited to, a violation of Wells Fargo policies or Code of Ethics and Business Conduct.

Remuneration Expenditure

The following table shows remuneration paid to 2020 WFSE Identified Staff who are remunerated for their services to WFSE[5]. Variable remuneration for 2020 performance was paid or awarded in 2021.

	31 Dec 2020 Euro' 000s			31 Dec 2019 Euro' 000s		
	Senior Management	Other	Total	Senior Management	Other	Total
Total Remuneration	**2,989**	**176**	**3,165**	**741**	**303**	**1,044**
of which:						
Fixed Remuneration	1,944	120	2,064	427	222	649
Variable Remuneration	1,045	56	1,101	314	81	395
of which:						
- short term cash	353	17	370	63	57	120
- short term equity	297	17	313	63	10	73
- long term cash	198	11	209	94	7	101
- long term equity	198	11	209	94	7	101
Number of Identified Staff	**7**	**1**	**8**	**2**	**3**	**5**

5 For Identified Staff employed by other Wells Fargo entities, remuneration has been pro-rated to reflect WFSE service. For Identified Staff employed by WFSE, remuneration has been included from their hire date.

Deferred Remuneration

The following table provides a summary of deferred remuneration for 2020 WFSE Identified Staff who are remunerated for their services to WFSE[6].

	31 Dec 2020 Euro' 000s			31 Dec 2019 Euro' 000s		
	Senior Management	Other	Total	Senior Management	Other	Total
Total Outstanding deferred remuneration as at 31 December	544	6	549	1,491	71	1,562
of which:						
- Vested	-	-	-	0	0	0
- Unvested	544	6	549	1,491	71	1,562
Awarded in year to 31 December	692	39	731	1,054	71	1,125
Paid out in year to 31 December	429	—	429	550	0	550
No performance adjustments were applied to deferred awards in 2020						

No severance or sign-on payments were made to Identified Staff in 2020.

1 Identified Staff received total remuneration of between €1m and €1.5m.

No Identified Staff received total remuneration in excess of €1.5m.

The information contained in these disclosures has not been audited and does not constitute a financial statement of WFSE or Wells Fargo.

[6] Deferred remuneration may relate to compensation awarded by other Wells Fargo entities.